

Message Text

UNCLASSIFIED

PAGE 01 BONN 15017 01 OF 02 121743Z

45

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 PA-02 PRS-01 L-03 H-02 IO-10 /120 W

----- 081489

R 121728Z SEP 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 2843

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 15017

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING SEPTEMBER 11)

REF.: BONN 14930

1. BUNDESBANK REDUCES REDISCOUNT AND LOMBARD RATES; AT ITS SEPTEMBER 11 MEETING THE CENTRAL BANK COUNCIL OF THE BUNDESBANK DECIDED TO REDUCE, EFFECTIVE SEPTEMBER 12, BOTH REDISCOUNT AND LOMBARD RATES BY 1/2 PERCENT (TO 3 1/2 PERCENT AND 4 1/2 PERCENT, RESPECTIVELY), AND TO INCREASE BY DM 3 BILLION, EFFECTIVE OCTOBER 3, UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 15017 01 OF 02 121743Z

1975, THE BANKS' REDISCOUNT QUOTAS (SEE BONN 14930).

IN A PRESS CONFERENCE AFTER THE MEETING PRESIDENT KLASSEN STATED THAT THE EASING MEASURES ARE NOT IN CONFLICT WITH THE BUNDESBANK'S ESTABLISHED 8 PERCENT GOAL FOR THE 1975 GROWTH IN CENTRAL BANK MONEY. HE POINTED OUT THAT CURRENTLY CENTRAL BANK MONEY IS, ON AN ANNUAL BASIS, INCREASING BY 7.2 PERCENT, AND, ON A SEMI-ANNUAL BASIS, BY 6.4 PERCENT. KLASSEN EXPRESSED HOPE THAT, BY WIDENING THE SPREAD BETWEEN SHORT- AND LONG-TERM INVESTMENTS THE MEASURE MAY ALSO SUPPORT THE BOND MARKET. HE STATED THAT THE BUNDESBANK'S OPEN MARKETPURCHASESOF PUBLIC BONDS HAVE NOW REACHED DM 4.3 BILLION.

2. FOREIGN EXCHANGE MARKET: DURING THE REPORTING WEEK SPOT AND FORWARD DOLLAR RATES DEVELOPED AS FOLLOWS:

	SPOT DOLLARS	ONE-MONTH	THREE-MONTH
SEP 4	DM 2.5760	-3.3	-3.7
5	2.5777	-3.0	-3.7
8	2.5805	-3.0	-3.6
9	2.5765	-3.0	-3.6
10	2.5822	-2.8	-3.7
11	2.5878	-3.3	-3.8

THE NORWEGIAN CROWN CONTINUED TO BE WEAKER THAN THE DEUTSCHEMARK. THE RATES OF ALL OTHER FLOAT CURRENCIES REMAINED ABOVE THEIR DM CENTRAL RATES.

3. GERMANY MONEY MARKET: THE GERMAN MONEY MARKET TIGHTENED SOMEWHAT. THIS WAS APPARENTLY DUE TO PREPARATIONS BY BANKS FOR THE MAJOR MID-SEPTEMBER TAX DATE, AND PROBABLY TO SOME HESITATION OF BANKS TO REDISCOUNT AT THE BUNDESBANK IN EXPECTATION OF A REDISCOUNT RATE REDUCTION. DURING THE REPORTING WEEK FRANKFURT INTERBANK MONEY RATES DEVELOPED AS FOLLOWS:

CALL MONEY ONE-MONTH MONEY THREE-MONTHLYMONEY
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 15017 01 OF 02 121743Z

SEP 4	3.9-4.1	3.7-4.0	3.7-4.0
5	4.0-4.1	3.7-4.0	3.7-4.0
8	4.0-4.2	3.7-4.0	3.7-4.0
9	4.6-4.9	3.9-4.2	3.9-4.2
10	4.6-4.8	3.9-4.2	3.9-4.2
11	4.0-4.2	3.8-4.0	3.8-4.0

4, BUNDESBANK FOREIGN POSITION: IN THE FIRST WEEK OF SEPTEMBER (SEPTEMBER 1-7) THE BUNDESBANK'S NET FOREIGN POSITION REMAINED UNCHANGED AT DM 80.2 BILLION. GERMANY'S IMF POSITION INCREASED BY DM 470 MILLION DUE TO A DM 460 MILLION CREDIT GRANTED UNDER THE OIL FACILITY AND A DM 10 MILLION INCREASE IN GERMANY'S GOLD TRANCHE POSITION. HOLDINGS OF LIQUID FOREIGN EXCHANGE DECLINED BY DM 386 MILLION, WHILE GROSS LIABILITIES INCREASED BY ABOUT DM 85 MILLION.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 15017 02 OF 02 121741Z

45

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 PA-02 PRS-01 L-03 H-02 IO-10 /120 W

----- 081473

R 121728Z SEP 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 2844

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 02 OF 02 BONN 15017

5. BANK LIQUIDITY: IN THE FIRST WEEK OF SEPTEMBER BANK LIQUIDITY REMAINED VIRTUALLY UNCHANGED (PLUS DM 0.2 BILLION). MAJOR FACTORS INCREASING LIQUIDITY

WERE A DM 2.5 BILLION DECLINE IN OFFICIAL NET ASSETS
HELD AT THE BUNDESBANK (FEDERAL GOVERNMENT: MINUS
DM 2.2 BILLION; FEDERAL RAILWAYS: MINUS DM 2.3 BILLION),
DM 1.1 BILLION OF BUNDESBANK BOND PURCHASES ON THE
OPEN MARKET AND A DM 0.4 BILLION DECLINE IN CURRENCY
IN CIRCULATION. THE ONLY MAJOR FACTOR REDUCING LIQUI-
DITY WAS A DM 3.4 BILLION INCREASE IN THE BANKS'
HOLDINGS OF RESERVES AT THE BUNDESBANK WHICH AT THE
END OF AUGUST WERE DM 3.2 BILLION BELOW AUGUST RE-
SERVE REQUIREMENTS. OTHER FACTORS REDUCED LIQUIDITY
BY DM 0.4 BILLION. THE BANKS REDUCED LOMBARD BORROW-
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 15017 02 OF 02 121741Z

INGS AT THE BUNDESBANK BY DM 0.1 BILLION; AT THE SAME
TIME THEY INCREASED REDISCOUNT BORROWINGS BY DM 0.3
BILLION, AND SOLD DM 0.5 BILLION OF BILLS TO THE
BUNDESBANK UNDER THE SPECIAL TEN-DAY FACILITY.

6. BOND MARKET: ON THE BOND MARKET THE BUNDESBANK
CONTINUED TO PURCHASE PUBLIC BONDS IN ORDER TO PREVENT
PRICE INCREASES BUT HAD TO DO SO ONLY IN RELATIVELY
SMALL AMOUNTS. DURING THE REPORTING WEEK FAZ AVERAGE
YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS DE-
VELOPED AS FOLLOWS:

8 PERCENT 7 PERCENT 6 PERCENT

SEP 4	9.11	9.08	8.51
5	9.09	9.06	8.51
8	9.16	9.06	8.58
9	9.13	9.05	8.61
10	9.09	9.04	8.60
11	9.06	9.02	8.59

HILLENBRAND

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, POLICIES, BANK RATES, MEETINGS, FINANCIAL DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 12 SEP 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BONN15017
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750316-1076
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750955/aaaabwhs.tel
Line Count: 207
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 BONN 14930
Review Action: RELEASED, APPROVED
Review Authority: RowellE0
Review Comment: n/a
Review Content Flags:
Review Date: 31 MAR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 MAR 2003 by MaustMC>; APPROVED <29 JAN 2004 by RowellE0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL DEVELOPMENTS (WEEK ENDING SEPTEMBER 11)
TAGS: EFIN, GE, BUNDESBANK
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006